United Nations

Financial report and audited financial statements

for the biennium ended
31 December 1993 and

Report of the Board of Auditors

Volume IV
United Nations University

General Assembly
Official Records • Forty-ninth Session
Supplement No.5 (A/49/5)

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NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

The financial report and audited financial statements for the biennium ended 31 December 1993 and the report of the Board of Auditors regarding the United Nations, the United Nations peace-keeping operations and the International Trade Centre are being issued as volumes I, II and III, respectively.

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31 May 1994

Dear Mr. Chairman,

In accordance with financial regulation 11.4, I have the honour to submit the accounts of the United Nations University for the biennium 1992-1993 ended 31 December 1993, which I hereby approve. The financial statements have been drawn up and certified as correct by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(Signed) Boutros BOUTROS-GHALI

Sir John Bourn, KCB
Chairman
United Nations Board of Auditors
New York

30 June 1994

Sir,

I have the honour to transmit to you the financial statements of the United Nations University for the biennium 1992-1993 ended 31 December 1993, which were submitted by the Secretary-General. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(Signed) John BOURN
Comptroller and Auditor General
of the United Kingdom of
Great Britain and Northern Ireland
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York, N.Y.

I. FINANCIAL REPORT FOR THE BIENNIUM 1992-1993 ENDED 31 DECEMBER 1993

Introduction

1. The General Assembly adopted the Charter of the United Nations University (UNU) by its resolution 3081 (XXVIII) on 6 December 1973 and decided that the University would have its headquarters in the Tokyo metropolitan area in Japan. Authority for the University's policies, work programmes and budget is vested in a Council of 28 members. The Rector, who normally serves for five years, is the chief academic and administrative officer of the University.

Financing of the United Nations University

2. The Charter of the United Nations University provides that capital costs and recurrent costs of the University shall be met from voluntary contributions for the University, or from income derived therefrom. Contributions are made by Governments, intergovernmental organizations and non-governmental sources, including foundations, universities and individuals. The funds of the University shall be kept in a special account established by the Secretary-General of the United Nations.

3. The University derives its income from two sources - income from an Endowment Fund and contributions to the Operating Fund. The Endowment Fund was established to record transactions relating to the funds contributed by donors, governmental and non-governmental. At its ninth session, held in Tokyo from 5 to 9 December 1977, the University Council decided to establish a special segment in the Endowment Fund for the purpose of financing the University's programmes designed to assist the developing countries. The purpose of this action is to increase funding available to the University to assist its work relevant to development. As the work of the University expanded, the Endowment and Operating Funds were enhanced by voluntary contributions for the World's Institute for Development Economics Research (WIDER), the Institute for New Technologies (INTECH), the International Institute for Software Technology (IIST), the Institute for Natural Resources in Africa (INRA), the Programme for Biotechnology in Latin America and the Caribbean (BIOLAC) and other activities.

4. During the biennium, the Governments of the following States or territories have pledged and/or made contributions to the Endowment and Operating Funds: Austria, Barbados, Brazil, Canada, China, Egypt, France, Ghana, Greece, India, Ireland, Italy, Japan, Macau, Netherlands, Portugal, Spain, Sweden and Switzerland. Côte d'Ivoire has been deleted from the combined status of pledges unpaid as at 31 December 1993.

Financial position of the United Nations University

5. As shown in statement I, during the biennium 1992-1993 ended 31 December 1993, the total income amounted to $93.9 million (compared to $68.6 million during the biennium 1990-1991). The breakdown of the 1992-1993 income is as follows: contributions to the Endowment Fund of $25.3 million; operating and programme contributions of $13.2 million; interest income and dividend from the Endowment Fund of $30.4 million; interest income from the Operating Fund of $1.9 million; and miscellaneous income of $23.1 million.

6. The total expenditure amounted to $48.5 million for this period, of which $4.6 million comprised unliquidated obligations as at 31 December 1993 (compared to $41.2 million in total expenditure during the biennium 1990-1991).

7. The breakdown of expenditure by major object of expenditure is as follows:

	Millions of United States dollars	Percentage
Staff and other personnel costs a/	25.0	51.5
Travel	1.8	3.7
Contractual services b/	2.3	4.8
Operating expenses	3.1	6.4
Acquisitions c/	1.0	2.0
UNU headquarters building	4.3	8.8
Research and training networks	11.0	22.8
Total	48.5	100.0

a/ Including costs of programme staff and consultants.

b/ Including costs of academic publications and other dissemination activities.

c/ Including costs of library books and supplies, and costs of programme equipment.

(See note 8 for breakdown in respect to the approved budget for the biennium 1992-1993.)

8. Statement II shows that the combined assets amounted to $288 million and the combined liabilities to $17 million. The assets include $26.8 million representing pledged contributions to the United Nations University receivable from Governments, the details of which are given in schedule 2.1.

9. The funds held in cash as at 31 December 1993 amounted to $22 million, which includes interest-bearing bank deposits of $16.3 million.

10. The fund balances of the UNU Headquarters Operating Fund, the WIDER Operating Fund, the INTECH Operating Fund, the IIST Operating Fund, the INRA Operating Fund, and the BIOLAC Operating Fund as at 31 December 1993 amounted to $16.8 million, $4.8 million, $2.1 million, $0.2 million, $3.6 and $0.7 million respectively.

11. Schedule 2.1 reflects the combined status of pledges from Governments as at 31 December 1993. The total amount collected during the biennium was $26.8 million, leaving $26.8 million in unpaid pledges as at 31 December 1993.

12. The total income from investments of the UNU Endowment Fund was $30.4 million, of which $21 million was allocated to UNU Headquarters, $4.9 million to WIDER, $2.5 million to INTECH, $1.3 million to IIST,

$0.4 million to INRA, and $0.3 million to BIOLAC, in accordance with the ratio of contributions to the Endowment Fund from the respective donors.

Activities of the United Nations University

13. The overall University programme is planned and implemented by the Academic Division at headquarters and by the research and training centres and programmes, in cooperation with the University's associated institutions (designated by the Council), and other institutions and organizations, as well as individual scholars and scientists throughout the world. During the biennial period 1 January 1992 to 31 December 1993, the overall University programme included activities in the following areas:

Multilateralism: management of interdependence

14. The University continued to build on years of work on issues such as inter-ethnic coexistence, the peaceful solution of conflicts, disarmament and security, human values and cultures, economic development and the impacts of economic and geopolitical blocs at the regional and global scale. The characteristics of these problems are such that international relations need to be approached from the vantage points of both philosophical foundations and the necessary mechanisms for achieving an international order, including, in particular, the instrument of the United Nations itself.

15. The outcome of the University's research activities, scientific meetings and publications during 1992-1993 represent initial contributions towards the advancement of an understanding of the complex issues concerning the gestation of a new world order. Within the programme on multilateralism and the United Nations system, for instance, the systematic critique of the adverse impacts of the current trends in global economic policy from a social science perspective initiated in 1992 was further formulated.

16. During 1993, additional work was undertaken within the broad framework of the "Agenda for Peace" proposed by the Secretary-General. Several meetings, held in New York, Ulster, Barcelona and Tokyo, discussed plans for research, reflection, policy-making, and training activities in that framework. These plans have focused on the need for UNU studies on issues concerning multilateral action and global governance, such as the concept of the sovereignty of States, the criteria for intervention, preventive diplomacy, the role of regional organizations in the maintenance of regional security, and peace-keeping operations.

The world economy and development

17. Central to the University's work relating to the world economy and development during the biennium were analyses of the impacts of development, both social and economic, particularly as they relate to an improvement of the human condition. Such work was focused on examining a number of interlinked considerations, including improvement of the quality of life, the impacts of economic development on women, reform and structural adjustment programmes in developing economies, the impacts of new technologies, improving nutrition and health status, and population and urbanization. The University sought to address these interlinkages through a pluridisciplinary approach ensuring, to the extent possible, that the results of comparative analyses of economic and social development can be brought to bear on policy- and decision makers.

18. United Nations University research on the quality of life, for example, has a direct implication for the formulation of public policy - in which social scientists examine activities and not just satisfactions, and measure achievements within a plurality of distinct areas of living. Reflection about the complex decisions that must be made within public policy, concerning, for example, health and the distribution of goods connected with health, reveals the need to think about the whole issue of the quality of life in a way that goes beyond conventional and imprecise economic measures.

19. United Nations University efforts during the biennium have examined the impact of economic development on women and have tried to assess the training and educational needs of women with a view towards maximizing the opportunities that new technologies could offer them while minimizing potential threats. Efforts to date have focused on the changing skill requirements in certain industries in a selected number of developing and developed countries with a view to identifying the areas of training that will give women greater access to new jobs and ensuring that women benefit not only in terms of the quantity but also the quality of employment in the applications of new technology. The University's activities relating to women-in-development and gender-and-development have formed a solid base for collaborative work with other United Nations entities, including the Division for the Advancement of Women of the United Nations Secretariat, the International Labour Organization, the United Nations Educational, Scientific and Cultural Organization (UNESCO), the Economic and Social Commission for Asia and the Pacific, the International Research and Training Institute for the Advancement of Women and the Food and Agriculture Organization of the United Nations.

20. During 1992-1993, the University issued two world economy group reports, both of which have concentrated on issues of economic transition in Eastern Europe. Those studies were undertaken through the University's World Institute for Development Economics Research, which carries out many of the economic research efforts of the University. Continuing UNU work in the area of stabilization and adjustment programmes has explored the implications of returning to a long-run growth path supported by a degree of external self-reliance and a socially acceptable internal income distribution. The findings of UNU research on the medium-term development issue take stock of different approaches to questions of adjustment and examine the application of the existing body of knowledge to practical problems faced in developing countries.

21. Within other research activities, UNU has sought to develop a broad framework for cooperation on aid and development policies in the 1990s. A review of the objectives of aid and development policies concluded that there is now a mutuality of interests between the industrialized and the developing countries, not least because of environmental concerns.

The environment: protecting the natural habitat

22. The research activities of UNU in the area of the environment take into consideration that environmental problems range from localized disruptions to long-term and potentially catastrophic global-level changes. They are also based on the recognition that many of the social, economic and technological developments that contribute to these changes must be urgently made more environmentally sustainable and on the need to develop a new, coherent philosophical approach to address some of the immediate problems affecting the critical nexus of environmental and economic issues.

23. Aware of its limited capacity in a field with numerous competent academic and international institutions, UNU is concentrating on several areas in which it can make an impact. The bulk of its activities in this field are brought together under the general heading "Sustaining global life-support systems". They are intended as responses to the report of the World Commission on Environment and Development (the Brundtland Commission) that will emphasize the importance of attaining local and regional ecological sustainability through appropriate environmental and resource management as a means to foster awareness of research and multilateral action needed to understand and cope with global environmental change. Other activities are looking at environmental issues from the perspective of the economics of development, with the aim of formulating a global economic theory which considers the many types of values of the world's biological and geophysical resources and calls for developing better tools of accounting and economic analysis to measure the environmental impact of investment decisions at the macro and microeconomic levels.

24. Work during the biennium has concentrated primarily on two main areas: (a) environmental and resource management: local and regional sustainability and (b) global environmental change and multilateral action. Activities have covered a broad spectrum of work, including mountain ecology and sustainable development, natural resources in Africa, and sustainable environmental futures.

25. The main concern of the University's mountain ecology and sustainable development initiative has been the promotion of research and effective dissemination of research findings in the relatively neglected field of ecologically sustainable development of the mountainous regions of the world.

26. UNU activities concerned with natural resources in Africa, carried out through the University's Institute for Natural Resources in Africa, now located at Accra, with a mineral resources unit at Lusaka, are based on the urgent need to improve the capability of African countries to manage and rehabilitate the continent's natural resources and environment by themselves. The focus is on strengthening national institutions in Africa, mobilizing scientists and technologists throughout the continent, and providing them with the capacity to generate and apply knowledge and innovative technologies for productive work and for the formulation of planning and policy options and on increasing understanding of the socio-economic and other aspects of natural resources in the context of self-reliant development. Initially, activities have concentrated on (a) soil and water conservation and management, (b) indigenous African food crops and other useful plants and (c) development of mineral resources.

27. Activities in the area of sustainable environmental futures focus on the complex interactions of physical and human activities in changing the environment, especially in the tropical and subtropical parts of the world, and the effects upon sustainability. Their overall aim is to promote ecologically, socially and economically sustainable development through basic and applied research, training and dissemination. A UNU research effort on population, land management and environmental change, for example, emphasizes the consequences of continuing population growth at the global, regional and local levels for land management and hence for the environment. Water is also linked closely with human activities. It is another aspect of environmental concerns that has become a major constraint for development and a potential source of conflict among countries of the Middle East.

28. During the biennium, within a programme on environment and development, the University has continued its work with specific case-studies, developing

modelling of environment and development relationships, and undertaking data and policy analysis. The topics have included the legal framework for environmental economics, economic accounting methods that take into consideration environmental degradation, microeconomic behaviour and sectoral changes, particularly in agriculture, and decision-making in environment services management.

29. During 1993, an advisory team comprising eminent international scholars and policy makers appointed by the Rector prepared a report containing a suggested long-term programme of capacity-building, research and dissemination in areas related to Agenda 21, adopted by the United Nations Conference on Environment and Development. The report of the advisory team was presented to the Rector in September 1993.

Science and technology

30. The University's Institute for New Technologies is conducting research and advanced training on the implications of new technologies. During the biennium, UNU research addressed new technologies and export orientation in sub-Saharan Africa; new technologies; economies of scale and location of production; aggregate economic and social impacts of new technologies; mobilizing technological capabilities in developing countries; industrialization strategy and policy from a technological perspective; research and development institutes in developing countries; a case-study of Taiwan, province of China; the politics of technology policy (Latin America and China); the impact of new technologies on women's employment; and various policy studies.

31. The University's International Institute for Software Technology, newly established in Macau, commenced operations in July 1992 and is concerned with software technology for developing countries. Initial activities during the biennium have included a series of research and development demonstration projects and workshops organized in China and India, as well as training workshops on advanced software development techniques in Thailand and Viet Nam. The Institute has also conducted a training workshop on university curricula in software technology in Beijing, and awarded four-month fellowships to Chinese candidates for carrying out research studies on the design techniques for real-time systems under the joint IIST-China Research Project, which was inaugurated in December 1992. Another group of four IIST fellows from China started training in a nine-month course in advanced techniques of railway software development at IIST in Macau. During 1992-1993, UNU also undertook other capacity-building activities related to strengthening scientific and technical capabilities in microprocessors and informatics.

32. The University's Programme on Biotechnology for Latin America and the Caribbean continued to conduct research and advanced training in the following areas: development of vaccines to fight tropical diseases, particularly brucellosis; plant genetic engineering to resist plant disease and improve nutritional quality of crops; and microbial fermentations of industrial interest; it is also involved in a research network on brucellosis. In 1992-1993, several two-week courses were offered at selected biotechnology institutions throughout Latin America in which participants were introduced to new techniques of biotechnology in plant biotechnology, vaccines and diagnostics, and micro-organisms of industrial interest. Other courses have covered molecular technology for analysis and engineering of the plant genome or have covered immunology and molecular genetics of human and animal retroviruses. During the biennium, UNU has also made use of its fellowship and training

programme to promote academic exchanges among network participant institutions within the region.

Hunger and poverty: eliminating basic deficiencies

33. In the field of food and nutrition, the University was able to move forward in 1992-1993 with several regional and subregional databases that are part of its International Food Data Systems (the INFOODS project), which seeks to improve the availability and quality of food compositions data world wide, particularly in developing countries. Access to such data is needed for the assessment of nutrient intakes, nutrition education, epidemiological studies of diet and disease and the determination of agricultural and food policy.

34. The University continued its efforts during 1992-1993 with its rapid assessment procedures (RAP) methodology. RAP is designed as a relatively rapid and inexpensive, focused, anthropologically based method to determine the impact of intervention programmes on health-related behaviours and to improve such programmes or to design them better before they are initiated. Specialized guidelines to follow up the original RAP guidelines for the evaluation and improvement of programmes in those sectors were completed in 1993, covering such areas as improving household management of diarrhoea and AIDS-related beliefs, attitudes and behaviours.

35. The University continues to administer the International Dietary Energy Consultative Group, which was established in 1986 by the Administrative Committee on Coordination, and has also continued to work closely with that Committee's Subcommittee on Nutrition in assembling information on iron deficiency - currently the most widespread and functionally significant nutrient deficiency in the world today. In 1993, UNU consultations with the World Health Organization and the United Nations Children's Fund led to a decision to reorganize the UNU-sponsored Group for the Control of Iron Deficiency, to be redeployed for advocacy purposes as the International Commission for the Prevention of Iron Deficiency.

Building research capacities: United Nations University training and fellowships

36. From 1 January 1992 to 31 December 1993, throughout the University system, 132 UNU fellows completed studies in specific areas with various academic institutions in different parts of the world, bringing the total number of fellows trained by UNU since 1976 to 1,232. During 1992-1993, a total of 135 fellows started training within specific areas covered under the four problem areas discussed above, namely, multilateralism, environment, science and technology, and hunger and poverty. This training was undertaken in such specific areas as economics and quantitative techniques, geothermal energy, renewable energy systems, mountain ecology, remote-sensing technology, science and technology policy, biotechnology, micro-informatics, food science and technology, food-processing technology, nutrition policy and planning, applied human nutrition, human trace element metabolism, and nutritional immunology.

37. In addition to the training activities under the regular UNU fellowship programme, several training workshops with durations ranging from one to six weeks were organized during the period under review in such areas as governance and conflict resolution, natural hazard reduction, food biotechnology, genetic engineering techniques, industrial scaling of biotechnological processes, qualitative project appraisal methodology using the rapid assessment procedures methodology, science and technology policies for development and application of

microcomputers for the teaching of mathematics and science. Some 510 individuals attended those training workshops organized at UNU collaborating institutions.

Publications

38. During the period, the University published 40 books, including those under the UNU Press imprint and those issued through co-publishing arrangements. The books published during the period include the following:

Agroforestry in the Pacific Islands: Systems for Sustainability; The Arab World: Nation, State and Democracy; Buddhism Betrayed? Religion, Politics and Violence in Sri Lanka; Commodities in Crisis; Compiling Data for Food Composition Data Bases; East-West Migration: The Alternatives; Environmental Change and International Law: New Challenges and Dimensions; Financial Openness and National Autonomy; Fish Fermentation Technology; The Global Greenhouse Regime: Who Pays?; Green-Alternative Politics in West Germany, vol.I: The New Social Movements; Industrial Pollution in Japan; INFOODS Food Composition Data Interchange Handbook; The Impact of Economic Development on Rural Women in China; The Impact of Labor Migration on Households: A Comparative Study in Seven Asian Countries; The Impact of Technology on Human Rights: Global Case-studies; Information Technology in Selected Countries: Reports from Ireland, Ethiopia, Nigeria, and Tanzania; Latin America Today; Macroeconomics in the Global Economy; Mining in Africa Today: Strategies in African Political Economy; Modernizing Women: Gender and Social Change in the Middle East; Participatory Development: Learning from South Asia; Peace and Security in the Asia Pacific Region: Post-Cold-War Problems and Prospects; Post-Communist Reform: Pain and Progress; The Quality of Life; The Rocky Road to Reform: Adjustment, Income Distribution, and Growth in the Developing World; The Role of Labor-Intensive Sectors in Japanese Industrialization; Shorai sedai-ni kosei-na chikyu kankyo-o (Japanese edition of In Fairness to Future Generations: International Law, Common Patrimony, and Intergenerational Equity); Social Corporatism: A Superior Economic System?; Social Support Systems for the Aged in Egypt; South-East Asia's Environmental Future: The Search for Sustainability; The State and Cultural Transformation: Perspectives from East Asia; Technological Innovation and the Development of Transportation in Japan (English edition of Kotsu un'yu no hattatsu to gijutsu kakushin); Technological Independence: The Asian Experience; Technological Transformation in the Third World, vols. I-IV: Trade Policy, Industrialization and Development: New Perspectives; and Who Will Save the Forests? Knowledge, Power and Environmental Destruction.

Headquarters building

39. In July 1992, the University moved to its new permanent headquarters building which was constructed for the University in central Tokyo by the Government of Japan on a plot of land made available free of charge by the Tokyo metropolitan government. In February 1993, the headquarters building was formally inaugurated in the presence of the Secretary-General, the Director-General of UNESCO, the Crown Prince of Japan, members of the UNU Council and other scholars, diplomats and distinguished guests from Japan and abroad. The building has provided additional opportunities for expanding the University's work in Japan and throughout the world. From the time of the formal inauguration to the end of the biennium, some 7,300 persons attended academic activities at the headquarters building.

II. REPORT OF THE BOARD OF AUDITORS

Introduction

1. The Board of Auditors has audited the financial statements of the United Nations University (UNU) for the period 1 January 1992 to 31 December 1993 in accordance with General Assembly resolution 74 (I) of 7 December 1946 and article IX of the Charter of the United Nations University. The audit has been conducted in conformity with article XII of the Financial Regulations of the United Nations and the annex thereto, and the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These auditing standards require that the Board plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit included a general review of financial systems and internal controls; and a test examination of the accounting records and other supporting evidence to the extent the Board considered it necessary to form an opinion on the financial statements. It did not involve a detailed review of all aspects of budgetary and financial systems and the results cannot be regarded as a comprehensive statement on them.

3. The audit was conducted at the headquarters of the University and its Institute for New Technologies at Maastricht.

4. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under article 12.5 of the Financial Regulations. The reviews concerned the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of the United Nations University.

5. The Board continued its practice of reporting the results of specific audits through management letters containing detailed observations and recommendations to the Administration. This practice helped in maintaining an ongoing dialogue with the Administration on audit issues.

6. A summary of main findings and recommendations is reported in paragraphs 9 to 17 below. The detailed findings of the audit are reported in paragraphs 18 to 45.

7. The present report covers matters which, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations on all matters contained in this report were communicated to the Administration. The Administration has confirmed the facts on which the Board's observations and conclusions are based and provided explanations and answers to the Board's queries. The report is divided into two parts, covering the audit of financial statements and management issues, respectively.

Follow-up on actions taken on previous audit recommendations

8. Pursuant to paragraph 15 of General Assembly resolution 47/211 of 23 December 1992, the Board has reviewed the measures taken to implement its prior recommendations. The Administration has implemented the recommendations

made by the Board in its report for the biennium ended 31 December 1991. 1/ Detailed actions taken and the comments of the Board are outlined in the annex to the present report.

Summary of recommendations

9. The Board recommends that the following corrective actions, presented in order of priority, should be taken:

Project management

(a) Project planning, implementation and monitoring in INTECH should be improved to ensure timely completion of projects and effective dissemination of the research outputs (see para. 27);

Budgetary control

(b) A periodic review and modification of programmes and allotment of funds should be carried out during a biennium to enhance financial as well as programme accountability within the United Nations University (see para. 26);

Consultants and experts

(c) Identification of competent scholars from developing countries and formulation of programmes involving developing country-based researchers should be intensified in order to attain equitable geographical distribution (see para. 33);

(d) There should be more frequent reviews of the current status vis-à-vis contractual requirements in order to expedite the completion of the work assigned to each researcher. The terms of payment of fees should be reviewed and modified in a manner that would act as an incentive to expedite the work (see para. 37);

Headquarters building

(e) The possibility of further augmenting the income from space-sharing without affecting the future expansion of the United Nations University and raising specific contributions for the maintenance and operation of the headquarters building without corresponding reduction in the funding for other United Nations University activities and programmes should be continuously explored. As far as possible, income for the building, including specific contributions, should match the expenditure on its maintenance and operation and those income and expenditure amounts should continue to be separately assessed and disclosed (see para. 44).

Summary of findings

Pledged contributions unpaid

10. A suspended pledge of $3 million continues to be included in the assets of the University. Another sum of $758,613, representing the difference between a

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1/ Official Records of the General Assembly, Forty-seventh Session, Supplement No. 5 (A/47/5), vol. III, sect. II.

pledge and the credit in United States dollars of the payment in local currency continues to be shown as pledged contribution unpaid, although the donor Government has not responded to the claim of the University (see paras. 19 and 20).

Budgetary control

11. In a number of programmes administered by the University the expenditure from the general core funds was far less than the budget allotment, owing to a variety of post-budget developments, including rescheduling of project activities (see paras. 24-26).

Programme management

12. In INTECH the programme activities and outputs were substantially less than originally anticipated and the Institute has not so far succeeded in widely disseminating and publicizing its work (see para. 27).

Consultants and experts

13. Equitable geographical distribution has not been attained in respect of researchers, advisers and coordinators engaged by the University. The administrative instructions governing the tenure and remuneration of consultants are not strictly followed. The contractual performance and the delivery of outputs were delayed (see paras. 29-37).

Travel

14. Travel expense reimbursement claims were not submitted promptly and there was considerable accumulation of travel advances which remained to be adjusted/recovered (see paras. 38 and 39).

Procurement

15. The documentation of procurement cases in INTECH was incomplete and there was scope for widening the field of choice for procurement (see para. 40).

Inventory control

16. In INTECH there was no formal system of storekeeping and in the headquarters of the University property accountability and control in respect of property issuances to staff members had not been fully established (see paras. 41 and 42).

Headquarters building

17. There is need to augment the income and to raise specific contributions for the headquarters building to meet the expenditure on its maintenance and operation (see para. 43).

Part I. Financial statements

United Nations System Accounting Standards

18. In paragraph 2 of its resolution 48/216 C of 23 December 1993, the General Assembly took note of the United Nations system accounting standards contained in the annex to the report of the Secretary-General (A/48/530) and requested the Secretary-General and the executive heads of the United Nations organizations and programmes to take those standards into account in the preparation of their financial statements for the period ending 31 December 1993. The Board noted that the financial statements of the United Nations University, by and large, conformed to the accounting standards. The Board will pursue the exceptions, such as disclosure of the inventory value of non-expendable property, in its audit for the biennium 1994-1995.

Pledged contributions unpaid

Suspended pledge

19. According to a memorandum of understanding between UNU and a Government signed in 1988, the Government was obliged to suspend, for the time being, a commitment to contribute $3 million to the Endowment Fund of the University; that amount was a part of a contribution pledged in 1975 and it remained unpaid. Although the Government was to inform the Secretary-General regarding the scope of the suspension, there was no information available with the University. Thus, more than five years have elapsed and the suspended pledge has not been revived. In the meantime the amount continued to be included in the pledged contributions unpaid.

Shortfall in the credit of contribution

20. In respect of a contribution of $2 million, pledged by a Government, one instalment ($600,000) was paid in United States dollars and the balance calculated at the rate of exchange prevailing on that date was remitted on 16 February 1990 through the United Nations Development Programme (UNDP) in local currency. However, UNU had been credited with an amount of $641,387, on the basis of UNDP financial regulations to the effect that United States dollar credits could only be at the United Nations operational rates of exchange in effect during the period when the currency so received was actually utilized by UNDP. Although the University had requested the Government, more than three years ago, to provide the balance of $758,613 there was no response to the request. The amount continued to be shown as part of unpaid pledges.

Liquidity position

21. In paragraph 21 of its resolution 47/211 of 23 December 1992, the General Assembly requested the Secretary-General and the executive heads of United Nations organizations and programmes to ensure that future presentations of liquidity position would be made in the context of the common accounting standards. The changes in financial position for the biennium 1992-1993 have been presented in the annex to the financial statements. The Board analysed the liquidity position as at 31 December 1993.

22. The combined assets amounting to $288 million compared with combined liabilities of $16.9 million would suggest a high liquidity. However, the

Endowment Fund being available only for investment, the status of the Operating Fund was used in considering the liquidity position. As per statement II, the consolidated current assets of $24.8 million (excluding interfund receivable and pledged contributions unpaid) will be able to liquidate the current liabilities (excluding interfund payable) of $6.4 million by 3.9 times. However, the current assets include specific programme contributions of $3.7 million carried forward to 1994. Even after excluding these contributions, which cannot be utilized to meet the current liabilities, the liquidity ratio does not vary significantly.

Write-off of losses of cash, receivables and property

23. The Administration informed the Board of Auditors that there was no case of write-off in the biennium. However, as disclosed in statement II, a long outstanding pledge of $5 million has been deleted. This would require write-off action in accordance with paragraph 30 of the United Nations system accounting standards.

Part II. Management issues

Budgetary control

Allotment of funds under overall University programme

24. The overall University programme, which is a separate section of the budget of UNU, includes five programme areas, set out in the second medium-term perspective, and each area covers a set of programmes. That budget section indicates under each programme the costs which are to be met from either general core funds or specific programme funds. Although counterpart support in cash or in kind is also available under various cost-sharing arrangements, these are not generally quantified, as these are not taken into account directly in the budget.

25. The Board noted in an interim review on the budget performance that in a number of programmes administered by the Academic Division at UNU headquarters the expenditure from the general core funds was far less than the proportionate budget allotment. This was attributed to substantial funding from collaborating institutions, increased cost-sharing, greater specific programme contribution than initially anticipated, rescheduling of projects and meetings and adoption of cost-saving alternatives.

26. Financial control through allotment of funds would be better exercise if the budget provisions for the programmes were reviewed periodically in the light of the post-budget developments and the allotments were adjusted to the altered requirements. When greater specific programme funds and cost-sharing become available the programme targets and work plans would also require revision to make possible proper evaluation of the programme performance. Accordingly, a periodic review and modification of programmes and allotment of funds would need to be carried out during a biennium to enhance financial and programme accountability within the United Nations University. Accepting the observations, the Administration stated that such control mechanisms would be further pursued in the light of the experience gained in managing the implementation of programme activities on the basis of a variety of funding sources.

Programme management

27. In the Institute for New Technologies, the programme activities and outputs were substantially less than originally anticipated. The Board found that no final output from any of the research projects implemented during the biennium has been published. There were delays in the start of the projects and in the finalization and editing of the project outputs. However, a number of working papers have been available. Of 19,000 copies of nine such papers printed up to 31 January 1994, only 3,620 copies had been distributed. A complete mailing list has not been prepared and it is not expected to be ready until at least July 1994. Thus, the Institute has not so far succeeded in widely disseminating and publicizing its work. The Board recommended that project planning, implementation and monitoring should be improved to ensure timely completion of projects and effective dissemination of the research outputs.

28. Accepting the observations and the recommendation of the Board, the Administration stated that the 1992-1993 programme of INTECH was the first full biennial programme of the Institute and plans were overly optimistic. Greater experience with the programme should help and a more developed monitoring system will be put in place. With regard to dissemination of research outputs, the Administration further stated that subsequently, a large investment of time and effort had been made to set up adequate mailing lists, and a much higher rate of dissemination had been achieved. Furthermore, a substantial number of books containing results from the first biennium projects will be published in the coming months (second half of 1994).

Consultants, experts and temporary assistance

Selection of researchers

29. Article 1, paragraph 6, of the Charter of the University emphasizes the need to encourage researchers from developing countries as follows:

> "The University shall have as a central objective of its research and training centres and programmes the continuing growth of vigorous academic and scientific communities everywhere and particularly in the developing countries, devoted to their vital needs in the fields of learning and research within the framework of the aims assigned to those centres and programmes in the present Charter. It shall endeavour to alleviate the intellectual isolation of persons in such communities in the developing countries which might otherwise become a reason for their moving to developed countries."

30. The Board noted in its report for the biennium ended 31 December 1991 1/ that the hiring of researchers by WIDER did not reflect a bias for candidates from the developing countries. The Administration had then stated that action had already been initiated to formulate programmes which would involve more developing country-based researchers.

31. A subsequent review indicated that, overall, 69 per cent of the contractual researchers, advisers and coordinators (226 out of 329) engaged by the University as at 1 February 1993 were from developed countries. In accordance with article VI of the Charter, it is the responsibility of the University Centre to maintain an up-to-date roster of qualified scholars from all parts of the world who are experts in the present and prospective fields of research of the University, and assist the research and training centres and programmes in

finding competent scholars as necessary. The Board however found that no such formal assistance was forthcoming from the University Centre. Information available about researchers in the developing countries was stated to be inadequate.

32. The Board was subsequently informed that the University was in the process of establishing a computerized Programme Information and Monitoring System, which will include up-to-date and readily accessible information on scholars and scientists in its field of work. That system will thus form an organic link between the University's Headquarters in Tokyo and its research and training centres and programmes in various parts of the world.

33. As agreed to by the Administration, the identification of competent scholars from developing countries and the formulation of programmes involving researchers based in developing countries should be intensified in order to attain equitable geographical distribution.

Tenure of INTECH researchers

34. The administrative instructions governing the engagement of researchers through special service agreements normally allow for such engagements for a period of six months. However, INTECH has been routinely entering into special service agreements for periods in excess of six months, extending to one year and more. According to the Institute, this practice was prevalent throughout the University and the conventional type of United Nations short-term contracts were not fully adapted to the needs of an organization like the United Nations University. The Administration stated that the University has so far interpreted the duration of special service agreements flexibly in order to meet its requirements.

35. The matter required examination in all its aspects with a view to deciding upon such exception to the general instructions as would meet the academic needs of the United Nations University. The Board was informed that the Council of the University, at its fortieth session in December 1993, had adopted terms and conditions for personnel engaged under personnel service agreements pursuant to article V, paragraph 3 (c), and article VIII, paragraph 7, of the Charter of the United Nations University. According to those terms and conditions the services of an individual engaged under a personnel service agreement will normally be limited to the duration of the programme or project or other tasks for which the services are required.

Monitoring of the performance of researchers

36. According to the relevant administrative instructions, remuneration of a consultant shall be paid only upon satisfactory completion of the service or specific phases of the service expressly set out in the agreement. This has not been strictly adhered to. The Board noted that the contractual performance and the delivery of outputs were delayed; in many cases the contractual deadline had been extended and in many other cases the contract period had already expired without delivery of a satisfactory output. While it is difficult to expect all the researchers to adhere strictly to the time-frames, the Board feels that in the field of contemporary research the relevance of the output should not be lost on account of delay. Further, unless payments are made in instalments related to specific phases of the service, the incentive for timely completion may not be there.

37. There should be more frequent reviews of the current status vis-à-vis contractual requirements in order to expedite the completion of the work assigned to each researcher. The terms of payment of fees should be reviewed and modified in a manner that would act as an incentive to expedite the work. The Administration took note of and accepted these observations.

Travel

38. Staff members who are authorized to travel are required to submit a travel expense reimbursement claim within two weeks after completion of travel. A review of those claims during 1992 revealed that 53 per cent were submitted late and the delay ranged from 5 to 152 days. A subsequent test check of the claims during 1993 revealed that 44 per cent were submitted late and the delay ranged from 5 to 327 days. As at 31 December 1993, there were travel advances amounting to $100,783 which remained to be adjusted/recovered. The Board noted that in some cases travel advances were allowed without settlement of previous advances.

39. The Administration agreed to undertake regular reviews of the position to enforce timely submission of travel claims and to settle the advances.

Procurement

40. A review of procurement of goods and services in INTECH indicated that the prescribed procedures were being followed but that the invitation to bid was restricted to three bidders only. The documentation of procurement cases left much to be desired; the purchase files were incomplete. The Administration agreed to improve the maintenance of purchase files and to widen the field of choice for procurement.

Expendable and non-expendable property

Recording of property issuances

41. A review of the property management procedures at UNU headquarters revealed that issues of equipment and other property to individual staff members are only entered in the inventory list according to the location of the items and that no receipt is obtained from the staff members, thereby absolving them of any responsibility or accountability. The Administration explained that following the move into the new headquarters building in July 1992 and the consequential heavy demand on staff time, this matter had unfortunately been postponed and that recording of property issuances to each staff member would be completed in the near future in accordance with the applicable rules and procedures. The board was subsequently informed that this has been completed.

Inventory control

42. In INTECH there was no formal system of storekeeping. There were no records relating to receipt and issue of expendable and non-expendable property. Having regard to the relatively small size of the Institute, an appropriate system of inventory control should be installed without delay.

Headquarters building

43. The proposed budget of the United Nations University for the biennium 1992-1993 stressed the need to obtain new contributions in cash and in kind for essential furniture and equipment as well as to cover the recurrent costs associated with the operation of the permanent headquarters building in Tokyo, which was occupied in July 1992. Income for the building was projected as $5,509,000 against an estimated expenditure of $5,760,000 (actual expenditure $4,336,709) for its maintenance and operation. The floor space of the building is 21,300 square metres. The office space and other facilities available are far in excess of the requirements of the United Nations University for the current level of activities and staff strength. The Board noted that the building was constructed with the future in mind. In the meantime, UNU has been able to offset some of the costs by sharing space with other organizations of the United Nations system and by renting out conference facilities. However, total income for the building was only $825,208. The Board was informed that the shortfall in income for the building projected in the budget for the biennium was partly made up by additional operating contributions from the Government of Japan.

44. The possibility of further augmenting the income from space-sharing without affecting the future expansion of the United Nations University and raising specific contributions for the maintenance and operation of the building without corresponding reduction in the funding for other UNU activities and programmes should be continuously explored. As far as possible, income for the building, including specific contributions, should match the expenditure on its maintenance and operation and this income and expenditure should continue to be separately assessed and disclosed. The Administration took note of and accepted these observations.

Cases of fraud and presumptive fraud

45. In accordance with rule 110.14 of the Financial Regulations and Rules of the United Nations, the Administration informed the Board of Auditors that no case of fraud or presumptive fraud came to its notice in the biennium 1992-1993.

Acknowledgement

46. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended by the Rector, his officers and members of their staff.

(Signed) John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

(Signed) Osei Tutu PREMPEH
Auditor-General of Ghana

(Signed) Codanda Ganapathy SOMIAH
Comptroller and Auditor General
of India

30 June 1994

ANNEX

Follow-up on actions taken to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1991 a/

I. RECOMMENDATION 7 (a)

1. Investment decisions should be taken with the minimum of delay in order to forestall avoidable losses on interest income.

II. RECOMMENDATION 7 (d)

2. In order to sustain the confidence of donors, their instructions on the utilization of their contributions should be fully observed.

Measures taken by the Administration

3. The United Nations University remits all contributions to the Investment Management Service at the United Nations Secretariat, without delay. That Service is responsible for abiding by specific investment restrictions imposed by certain donors and it is fully cognizant of the restrictions. Monthly statements of custody of investment holdings are received and scrutinized. It was agreed that a report would be provided by the Service on the implications of the investment restrictions in terms of rate of return and diversification constraints, with a view to taking this up with the respective donors.

Comments of the Board

4. The basic purpose of these recommendations has been met. The Board will however examine the further developments in future audits.

III. RECOMMENDATION 7 (b)

5. Inventory management should be improved through regular inventory counts and the updating of inventory status to reflect actual locations, new acquisitions and deletions.

Measures taken by the Administration

6. Physical count is an annual feature. All items have been properly arranged and recorded. An overall inventory system for the University as a whole, including its Institutes, is in place.

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a/ Official Records of the General Assembly, Forty-seventh Session, Supplement No. 5 (A/47/5), vol. III, sect. II.

Comments of the Board

7. There is still scope for improvement in inventory management, as noted in paragraphs 41 and 42 of the present report.

IV. RECOMMENDATION 7 (c)

8. The adequacy of the present staff resources in the Finance and Budgetary Services of the University Centre should be reviewed and action taken, as appropriate.

Measures taken by the Administration

9. The existing staff members, having gained more experience, are performing more efficiently and this has alleviated the short-term need for additional staff.

Comments of the Board

10. The position has to be reviewed periodically.

V. RECOMMENDATION 7 (e)

11. Upward revisions of approved budgets should be based on stable funding arrangements and the ability to utilize the additional resources for purposes intended.

Measures taken by the Administration

12. The University has further improved its budget preparation and implementation to the effect that during the biennium 1992-1993 there was no need for any supplementary budget and the savings and additional income obtained during that biennium were carried forward as unencumbered fund balance to the biennium 1994-1995.

Comments of the Board

13. There is still scope for improvement in financial control through allotment of funds (see paras. 24-26 of this report).

III. AUDIT OPINION

We have examined the appended financial statements numbered I and II, properly identified, relevant schedule, annex and the supporting explanatory notes of the United Nations University for the financial period ended 31 December 1993, in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

As a result of our examination, we are of the opinion that the financial statements present fairly the financial position of the United Nations University as at 31 December 1993 and the results of its operations for the financial period then ended; that they were prepared in accordance with the stated accounting policies, which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

In accordance with our usual practice, we have issued a long form report on our audit of the United Nations University's financial statements as provided for in the Financial Regulations.

(Signed) John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

(Signed) Osei Tutu PREMPEH
Auditor-General of Ghana

(Signed) Codanda Ganapathy SOMIAH
Comptroller and Auditor General
of India

30 June 1994

IV. CERTIFICATION OF THE FINANCIAL STATEMENTS

19 May 1994

I certify that the appended financial statements of the United Nations University, numbered I and II, are correct.

(Signed) Yukio TAKASU
Controller

V. FINANCIAL STATEMENTS FOR THE BIENNIUM 1992-1993 ENDED 31 DECEMBER 1993

STATEMENT I

UNITED NATIONS UNIVERSITY

Combined statement of income and expenditure for the biennium 1992-1993 ended 31 December 1993

(United States dollars)

	UNU/HQ Operating Fund	UNU/WIDER Operating Fund	UNU/INTECH Operating Fund	UNU/IIST Operating Fund	UNU/INRA Operating Fund	UNU/BIOLAC Operating Fund
INCOME						
Contributions from Governments (Sch. 2.1)	9,088,332	242,396	1,315,224	187,032	-	31,515
Other contributions	1,734,603	150,500	54,201	39,444	300,000	-
Subventions from Endowment Fund	21,098,262	4,896,126	2,464,650	1,258,926	408,630	308,336
Interest income and dividend	935,724	690,426	307,473	4,569	-	-
Miscellaneous income	3,958,511 a/	457,333 b/	88,071 c/	979	277,253 d/	-
Total income	36,815,432	6,436,781	4,229,619	1,490,950	985,883	339,851
EXPENDITURE						
Staff and other personnel costs	17,385,566	3,861,027	2,279,635	761,499	429,382	271,027
Travel	1,046,427	222,042	264,208	207,246	86,754	-
Contractual services	1,907,411	232,273	173,731	13,866	5,056	-
Operating expenses	1,047,057	1,471,440	412,405	106,596	52,713	-
Acquisitions	432,669	219,544	130,536	162,776	11,889	-
UNU HQ building	4,336,709	-	-	-	-	-
Transfer to Operating Fund	-	-	-	-	-	-
Research and training networks	5,532,187	3,333,603	937,927	103,148	533,481	581,693
Total expenditure (Note 8)	31,688,026	9,339,929	4,198,442	1,355,131	1,119,275	852,720
Excess of income over expenditure (Statement II)	5,127,406	(2,903,148)	31,177	135,819	(133,392)	(512,869)

UNITED NATIONS UNIVERSITY

Combined statement of income and expenditure for the biennium 1992-1993 ended 31 December 1993

(United States dollars)

	Total Operating Fund		Total Endowment Fund		Grand Total	
	1993	1991	1993	1991	1993	1991
INCOME						
Contributions from Governments	10,864,499	7,650,956	25,271,150	5,218,613	36,135,649	12,869,569
(Sch. 2.1)						
Other contributions	2,278,748	3,387,476	-	8,000,000	2,278,748	11,387,476 b/
Subventions from Endowment Fund	30,434,930	34,619,875	-	-	- g/	-
Interest income and dividend	1,938,192	2,137,423	30,434,930 e/	34,619,875	32,373,122	36,757,298
Miscellaneous income	4,782,147	2,182,581	18,308,452 f/	5,419,068	23,090,599	7,601,649 h/
Total income	50,298,516	49,978,311	74,014,532	53,257,556	93,878,118	68,615,992
EXPENDITURE						
Staff and other personnel costs	24,988,136	20,548,172	-	-	24,988,136	20,548,172
Travel	1,826,677	1,823,246	-	-	1,826,677	1,823,246
Contractual services	2,332,337	2,193,782	-	-	2,332,337	2,193,782
Operating expenses	3,090,211	2,960,710	-	-	3,090,211	2,960,710
Acquisitions	957,414	898,111	-	-	957,414	898,111
UNU HQ building	4,336,709	-	-	-	4,336,709	-
Transfer to Operating Fund	-	-	30,434,930 e/	34,619,875	- g/	-
Research and training networks	11,022,039	12,792,321	-	-	11,022,039	12,792,321
Total expenditure (Note 8)	48,553,523	41,216,342	30,434,930	34,619,875	48,553,523	41,216,342
Excess of income over expenditure (Statement II)	1,744,993	8,761,969	43,579,602	18,637,681	45,324,595	27,399,650

a/ Includes savings of US$ 1,606,368 on liquidation of prior period's obligations, gain on exchange of US$ 1,227,006, income for the HQ building of US$ 825,208, and sales income and royalties from publications of US$ 275,479

b/ Includes $397,152 savings on liquidation of prior period's obligations

c/ Includes $83,574 savings on liquidation of prior period's obligations

d/ Includes $272,253 savings on liquidation of prior period's obligations

e/ The income and dividend from the investments of the Endowment Fund were allocated in accordance with the ratio of contributions to the Endowment Fund from the respective donors, as follows: $21.0 million to UNU Headquarters, $4.9 million to UNU/WIDER, $2.5 million to UNU/INTECH, $1.3 million to UNU/IIST, $0.4 million to UNU/INRA, and $0.3 million to UNU/BIOLAC. See note 9 for details

f/ Gain on exchange and gain on sale of securities

g/ Net of adjustment for elimination of interfund transfers

h/ The comparative figures were reclassified to conform to current presentation.

The accompanying notes are an integral part of the financial statements.

STATEMENT II

UNITED NATIONS UNIVERSITY

Combined statement of assets and liabilities as at 31 December 1993
(United States dollars)

	UNU/HQ Operating Fund	UNU/WIDER Operating Fund	UNU/INTECH Operating Fund	UNU/IIST Operating Fund	UNU/INRA Operating Fund	UNU/BIOLAC Operating Fund
ASSETS						
Cash (Note 6)	13,431,311 a/	4,631,632 a/	3,117,973 a/	807,090 a/	-	-
Investments (Note 6)	-	-	-	-	-	-
Pledged contributions unpaid (Sch. 2.1 & Note 5)	106,146	-	-	-	3,094,140	-
Accounts receivable (Note 2)	1,749,374	29,781	77,177	19,801	684,574	-
Interfund balances receivable	4,678,165	1,878,093	-	-	53,987	1,018,638
Deferred charges and other assets(Note 3)	257,185	20,312	-	-	15,467	-
Total assets	20,222,181	6,559,818	3,195,150	826,891	3,848,168	1,018,638
LIABILITIES						
Accounts payable (Note 4)	737,317	449,138	-	393,359	4,509	219,367
Unliquidated obligations	2,647,031	1,296,565	305.724	39,882	239,009	73,353
Interfund balances payable	-	-	743,066	239,215	-	-
Deferred income (Sch. 2.1)	-	-	-	-	-	-
Total liabilities	3,384,348	1,745,703	1,048,790	672,456	243,518	292,720
FUND BALANCE						
Balance available 1 January 1992	14,653,830	8,004,263	2,236,183	-	3,033,042	-
Add: Excess of income over expenditur (Statement I)	5,127,406	(2,903,148)	31,177	135,819	(133,392)	(512,869)
Subtotal	19,781,236	5,101,115	2,267,360	135,819	2,899,650	(512,869)
Adjustments for prior year	-	-	-	-	-	-
Other adjustments	(2,943,403) b/	(287,000) b/	(121,000) b/	18,616 b/	705,000 b/	1,238,787 b/
Balance available 31 December 1993	16,837,833	4,814,115	2,146,360	154,435	3,604,650	725,918
Total liabilities and fund balance	20,222,181	6,559,818	3,195,150	826,891	3,848,168	1,018,638

UNITED NATIONS UNIVERSITY

Combined statement of assets and liabilities as at 31 December 1993

(United States dollars)

	Total Operating Fund 1993	1991	Total Endowment Fund 1993	1991	Grand Total 1993	1991
ASSETS						
Cash (Note 6)	21,988,006 c/	6,908,086	-	25,912,181	21,988,006 c/	32,820,267
Investments (Note 6)	-	-	230,344,173 d/	185,608,996	230,344,173 d/	185,608,996
Pledged contributions unpaid (Sch. 2.1 & Note 5)	3,200,286	3,221,140	23,582,101	9,647,101	26,782,387	12,868,241
Accounts reveivable (Note 2)	2,560,707	1,520,915	6,035,238	5,367,839	8,595,945	6,888,754
Interfund balances receivable	7,628,883	22,924,809	23,885	110,244	- f/	-
Deferred charges and other assets (Note 3	292,964	110,147			292,964	110,147
Total assets	35,670,846	34,685,097	259,985,397	226,646,361	288,003,475	238,296,405
LIABILITIES						
Accounts payable (Note 4)	1,803,690	2,026,559	-	-	1,803,690	2,026,559
Unliquidated obligations	4,601,564	4,564,220	-	-	4,601,564	4,564,220
Interfund balances payable	982,281	-	6,670,487	23,035,053	- f/	-
Deferred income (Sch. 2.1)	-	167,000	10,550,000	775,000	10,550,000	942,000
Total liabilities	7,387,535	6,757,779	17,220,487	23,810,053	16,955,254	7,532,779
FUND BALANCE						
Balance available 1 January 1992	27,927,318	21,965,349	202,836,308	181,398,627	230,763,626	203,363,976
Add: Excess of income over expenditur (Statement I)	1,744,993	8,761,969	43,579,602	18,637,681	45,324,595	27,399,650
Subtotal	29,672,311	30,727,318	246,415,910	200,036,308	276,088,221	230,763,626
Adjustments for prior year	-	-	(5,040,000) e/	-	(5,040,000) e/	-
Other adjustments	(1,389,000) b/	(2,800,000)	1,389,000 b/	2,800,000		-
Balance available 31 December 1993	28,283,311	27,927,318	242,764,910	202,836,308	271,048,221	230,763,626
Total liabilities and fund balance	35,670,846	34,685,097	259,985,397	226,646,361	288,003,475	238,296,405

a/ Following the transfer of the custodial responsibilities of the investments to the Investment Management Service, the records of the bank accounts controlled by the UN Treasury have been transferred to the respective Operating Funds.

b/ Includes various transfers, notably US$612,000 from UNU Headquarters Operating Fund to UNU/INRA Operating Fund, reinvestement of US$1,489,000 in the Endowment Fund (from the Operating Fund), and the transfer of US $100,000 from the Endowment Fund to the Operating Fund.

c/ Includes interest bearing bank deposits of $16,269,979.

d/ Comprises investments in deposits, bonds and equities managed by the UN Investment Management Service.

e/ Adjustment on the 1991 pledge of $40,000 from the Government of Republic of Tanzania and deletion of long outstanding pledge of $5,000,000 from the Government of Côte d'Ivoire.

f/ Net of adjustment for elimination of interfund balances.

The accompanying notes are an integral part of the financial statements.

Schedule 2.1

UNITED NATIONS UNIVERSITY

Combined status of pledges unpaid as at 31 December 1993

(United States dollars)

Operating Funds	Unpaid pledges as at 1 January 1992	Add: Pledges for 1992-93 and adjustments	Add: Pledges for future years	Less: Collection during 1992-93	Add: Gain (Loss) on exchange	Unpaid pledges as at 31 December 1993
UNU/Headquarters	-	1,000	-	1,000	-	-
Barbados	-	63,656	-	7,510	-	56,146
Brazil	-	100,000	-	50,000	-	50,000
Egypt	-	35,298	-	35,298	-	-
France	-	40,000	-	40,000	-	-
Greece	-	157,771	-	157,771	-	-
Ireland	-	1,851,000	-	1,851,000	-	-
Italy	-	6,555,703	-	6,555,703	-	-
Japan	-	181,904	-	180,799	(1,105)	-
Spain	-	102,000	-	112,000	-	-
Switzerland	10,000	9,088,332	-	8,991,081	(1,105)	106,146
Subtotal	10,000					
UNU/WIDER	-	242,396	-	254,931	12,535	-
Sweden	-	242,396	-	254,931	12,535	-
Subtotal	-					
UNU/INTECH	-	44,437	-	44,437	-	-
Canada	-	1,270,787	-	1,270,787	-	-
Netherlands	-	1,315,224	-	1,315,224	-	-
Subtotal	-					
UNU/IIST	-	187,032	-	187,032	-	-
Macau	-	187,032	-	187,032	-	-
Subtotal	-					
UNU/INRA	50,000	-	-	-	-	50,000
Nigeria	3,044,140	-	-	-	-	3,044,140
France	3,094,140	-	-	-	-	3,094,140
Subtotal						
UNU/BIOLAC	-	31,515	-	31,563	48	-
Canada	-	31,515	-	31,563	48	-
Subtotal	3,104,140	10,864,499	-	10,779,831	11,478	3,200,286
Operating Fund - Total						

Schedule 2.1 (Concluded)

UNITED NATIONS UNIVERSITY

Combined status of pledges unpaid as at 31 December 1993

(United States dollars)

Endowment Fund	Unpaid pledges as at 1 January 1992	Add: Pledges for 1992-93 and adjustments	Add: Pledges for future years	Less: Collection during 1992-93	Add: Gain (Loss) on exchange	Unpaid pledges as at 31 December 1993
Austria	-	296,150	-	296,150	-	-
China	-	3,000,000	2,000,000	2,500,000	-	2,500,000
Côte d'Ivoire	5,000,000	(5,000,000) b/	-	-	-	-
Ghana	-	4,750,000	-	993,651	(6,349)	3,750,000
India	-	225,000	550,000	225,000	-	550,000
Macau	-	14,000,000	6,000,000	9,000,000	-	11,000,000
Portugal	-	3,000,000	2,000,000	3,000,000	-	2,000,000
United Republic of Tanzania	60,000	(40,000) a/	-	-	-	20,000
Venezuela	3,003,488	-	-	-	-	3,003,488
Zambia	758,613	-	-	-	-	758,613
Endowment Fund - Total	8,822,101	20,231,150	10,550,000	16,014,801	(6,349)	23,582,101
Grand Total	11,926,241 c/	31,095,649	10,550,000	26,794,632	5,129	26,782,387

a/ Adjustment on the 1991 pledge

b/ Deletion of long outstanding pledge

c/ Represents total unpaid pledges $12,868,241 less $942,000 future years' pledges unpaid as at 31 December 1991

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of significant accounting policies

The following are the significant accounting policies of the United Nations University.

(a) The United Nations University accounts are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, and administrative instructions issued by the Under-Secretary-General for Administration and Management or the Controller. They also take into account the common accounting standards for the United Nations system, as adopted by the Administrative Committee on Coordination. The General Assembly has taken note of those standards in its resolution 48/216 C. The United Nations University follows International Accounting Standard 1 on the disclosure of accounting policies as modified and adopted by the Consultative Committee on Administrative Questions at its fifty-fourth session, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons.

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies.

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used.

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place.

(v) Financial statements should show corresponding figures for the preceding period.

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The United Nations University financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services.

(c) Fund accounting. The United Nations University accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Assembly or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts. Each fund is reported separately in the financial statements.

(d) The financial period of the United Nations University is a biennium and consists of two consecutive calendar years.

(e) The income and expenditure and assets and liabilities are recognized on the accrual basis of accounting.

(f) Translation of currencies. The accounts of the United Nations University are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller. In respect of such currencies, the financial statements prepared at such intervals as may be prescribed by the Controller under delegation of authority from the Under-Secretary-General for Administration and Management shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements.

(g) Pledged contributions. Pledges are recorded as income on the basis of a written commitment by a prospective donor to pay a monetary contribution at a specified time or times. Pledges for future years are recorded as deferred income.

(h) Investments. These comprise investment in deposits, bonds and equities managed by the United Nations Investment Management Service. Funds managed by the United Nations Treasury and UNU on deposit in interest-bearing bank accounts, certificates of deposit, time deposits, call accounts and checking accounts are shown in the statements of assets and liabilities as cash. Apart from changes in value arising from the retranslation of currencies as provided for in subparagraph (f) above, all investments are stated at cost. No provision is made for amortization of premiums or discounts which are taken into account as part of the gain or loss when investments are sold. In accordance with the United Nations common accounting standards, forward currency transactions have been excluded from the balance sheet, while being disclosed in note (7) to the financial statements.

(i) Deferred charges.

(i) Deferred charges comprise expenditure items which are not properly chargeable in the current financial period and which will be charged as expenditure in the subsequent financial period.

(ii) For balance-sheet statement purposes, only that portion of the education grant advance which is assumed to pertain to the scholastic year completed as at the date of the financial statement is shown under deferred charges. The full amount of the advance is maintained in the accounts receivable from staff members until such time as the staff member produces the required proof of entitlement to the education grant, at which time the budgetary account is charged and the advance recovered.

(j) Fixed assets, furniture, equipment, other non-expendable and leasehold improvements are not included in the assets of the University. Acquisitions are charged against budgetary accounts in the year of purchase.

(k) No provision is made for repatriation grant entitlements or to meet contingencies under appendix D of the Staff Rules of the United Nations as funds as provided for in the budget of the University.

(l) All government contributions, unless otherwise specified, are credited to the United Nations University Endowment Fund. The income derived from the

investment of the Endowment Fund is allocated for the financing of the entities of the University in accordance with the ratio of contributions to the Endowment Fund from the respective donors.

(m) Miscellaneous income.

(i) Refunds of expenditures charged to the prior financial periods are credited to miscellaneous income.

(ii) Moneys accepted in respect of which no purpose is specified have been treated as miscellaneous income.

(iii) On the closing of the accounts at the end of each financial period, if the balance of the exchange accounts reflects a net loss on exchange, it is debited to the budgetary account. If there is a net gain, this is credited to miscellaneous income.

(iv) The proceeds from the sale of surplus property are credited to miscellaneous income of the respective funds.

(n) Trust funds may be established by the Rector. The University follows the general provisions of the Secretary-General's bulletin on the establishment and management of trust funds (ST/SGB/188) and also its supporting administrative instructions (ST/AI/284, ST/AI/285 and ST/AI/286) although as indicated in paragraph 3 of document ST/SGB/188, that bulletin does not apply to such institutions as the United Nations University, which are subject to the administrative authority of their executive heads.

Note 2. Accounts receivable

The following table is an aged analysis of the accounts receivable, expressed in United States dollars, included in statement II as at 31 December 1993.

	Less than one year	More than one year	Total
Staff	133 076	58 872	191 948
Vendor	12 703	89 117	101 820
Accrued interest	6 071 943	-	6 071 943
Others	2 230 234	-	2 230 234
Total accounts receivable	8 447 956	147 989	8 595 945

Note 3. Deferred charges

The following table is an analysis of the deferred charges, expressed in United States dollars, included in statement II as at 31 December 1993.

	Total
Education grant advances	46 723
Charges in transit from offices away from Tokyo (interoffice vouchers)	246 241
Total	292 964

Note 4. Accounts payable

The following table is an analysis of the accounts payable, expressed in United States dollars, included in statement II as at 31 December 1993.

	Total
Staff	13 528
Vendors	1 500
Others	1 788 662
Total accounts payable	1 803 690

Note 5. Pledged contributions unpaid

The following table is an aged analysis of the pledged contributions unpaid, expressed in United States dollars, included in statement II as at 31 December 1993.

	Less than two years/ Future years	More than two years less than five years	More than five years	Total
Brazil	56 146	-	-	56 146
China	2 500 000	-	-	2 500 000
Egypt	-	50 000	-	50 000
France	-	-	3 044 140	3 044 140
India	550 000	-	-	550 000
Ghana	3 750 000	-	-	3 750 000
Macau	11 000 000	-	-	11 000 000
Nigeria	-	50 000	-	50 000
Portugal	2 000 000	-	-	2 000 000
United Republic of Tanzania	-	20 000	-	20 000
Venezuela	-	-	3 003 488	3 003 488 a/
Zambia	-	-	758 613	758 613
Total	19 856 146	120 000	6 806 241	26 782 387

a/ A memorandum of understanding and agreement signed at Caracas on 8 January 1988 and at Tokyo on 15 March 1988 provides for the payment of this pledge in due course although it has been suspended for the time being.

Note 6. Cash and investments

The following table is a status of the cash and investments by currencies and by type of investments, expressed in United States dollars, included in statement II as at 31 December 1993.

	Total		Total
United States dollars	105 344 975	Cash and deposits	91 944 496
Japanese yen	96 208 738		
Finnish markka	7 461 660	Bonds	136 702 447
Netherlands guilder	20 365 511		
Others	22 951 295	Equities	23 685 236
Total	252 332 179 a/	Total	252 332 179 a/

a/ The market value of the funds as of 31 December 1993 amounted to $282,283,393.

Note 7. Contingent liabilities

As the contingent account, the forward currency contracts expressed in local currencies as at 31 December 1993 were as follows.

	Currency	Amount	Purchased date	Exercised date	Deal rate	Current FWD rate	Unrealized gain (loss)
From	United Kingdom pounds	4 987 531.17	27/09/93		158.67	163.674801	(152 507.30)
To	Japanese yen	791 371 571.00		31/03/94			
From	Netherlands guilder	9 868 421.05	27/09/93		57.10	57.007170	16 069 65
To	Japanese yen	563 486 842.00		31/03/94			

Note 8

Major objects of expenditure
for the biennium 1992–93 ended 31 December 1993
(United States dollars)

Division	Approved Budget for 1992–93	Staff and other personnel costs	Travel	Contractual services	Operating expenses	Acquisitions	UNU HQ building	Research and training networks	Total	Balance
Overall University Programmes										
UNU Headquarters	12,356,000	5,064,512	228,923	275,274	267,500	253,911	–	5,051,693	11,141,813	1,214,187
UNU/WIDER	11,852,000	3,681,350	222,042	232,273	1,471,440	219,544	–	3,333,603	9,160,252	2,691,748
UNU/INTECH	4,841,000	2,200,640	264,208	173,731	412,405	130,536	–	937,927	4,119,447	721,553
UNU/IIST	3,697,000	712,976	207,246	13,866	106,596	162,776	–	103,148	1,306,608	2,390,392
UNU/INRA	891,000	416,811	86,754	5,056	52,713	11,889	–	533,481	1,106,704	(215,704)
UNU/BIOLAC	1,112,000	263,605	–	–	–	–	–	581,693	845,298	266,702
UNU Press	2,547,000	1,264,558	86,602	700,988	81,254	8,351	–	–	2,141,753	405,247
Sub–total	37,296,000	13,604,452	1,095,775	1,401,188	2,391,908	787,007	–	10,541,545	29,821,875	7,474,125
University Planning and Development	4,432,000	2,582,546	103,219	736,457	124,921	43,674	–	477,628	4,068,445	363,555
University Direction and Management	11,483,000	7,749,282	627,683	194,692	553,382	126,733	–	2,866	9,254,638	2,228,362
Investment Management of the Endowment Fund	1,184,000	1,051,856	–	–	20,000	–	–	–	1,071,856	112,144
UNU Headquarters Building Maintenance and Operation	5,760,000	–	–	–	–	–	4,336,709	–	4,336,709	1,423,291
Total	60,155,000	24,988,136	1,826,677	2,332,337	3,090,211	957,414	4,336,709	11,022,039	48,553,523 1/	11,601,477 2/

1/ Includes loss on exchange of US$1,314,967 and reobligated expenditures of US$577,058.

2/ The main factors resulting in the Balance are the following: (i) The difference between the projected specific programme contributions in the approved Budget of US$6,621,000 and the actual expenditure of US$5,761,000, leaving a balance of US$860,000 (excluding UNU/IIST and UNU/INRA), (ii) Savings on personnel costs of US$3,746,000, on general expenses of US$1,216,000, and on Headquarters building of US$1,423,000, totaling US$6,385,000 (excluding UNU/IIST and UNU/INRA), (iii) The difference between the approved Budget for UNU/IIST of US$3,697,000 and the shortfall in actual income which necessitated a reduction of expenditures to the level of US$1,307,000, leaving a balance of US$2,390,000, (iv) The increase of specific programme contributions for UNU/INRA from US$224,000 in the approved Budget to US$540,000, which was expended, leaving a negative balance against the approved Budget of US$216,000.

Note 9

Status of the Endowment Fund

	UNU Headquarters	UNU/WIDER	UNU/INTECH	UNU/IIST	UNU/INRA	UNU/BIOLAC	Total
Fund Balance 1-Jan-92	143,324,886	36,291,717	15,622,000		7,597,705		202,836,308
Contributions from donors	296,150	225,000		20,000,000	4,750,000		25,271,150
Interest income and dividends	21,098,262	4,896,126	2,464,650	1,258,926	408,630	308,336	30,434,930
Miscellaneous income	12,304,254	3,286,697	1,431,276	872,952	232,535	180,738	18,308,452
Transfer to Operating Fund	(21,098,262)	(4,896,126)	(2,464,650)	(1,258,926)	(408,630)	(308,336)	(30,434,930)
Adjustments (current)	(3,951,026) a/	287,000 a/	121,000 a/	38,000 a/	(93,000) a/	4,987,026 a/	1,389,000 a/
(prior year)	(40,000)				(5,000,000)		(5,040,000)
Fund Balance 31 Dec. 1993	151,934,264	40,090,414	17,174,276	20,910,952	7,487,240	5,167,764	242,764,910

a/ Includes various transfers, the net result of which is the transfer of US$1,489,000 from the Operating Fund to the Endowment Fund (reinvestment in the Endowment Fund), less the transfer of US$100,00 from the Endowment Fund into the Operating Fund.

ANNEX

Statement of changes in financial position for the biennium 1992-1993 ended on 31 December 1993

(Thousands of United States dollars)

	Operating Fund	Endowment Fund	Total
A. Results of Operations			
Source of funds:			
Contributions from governments	10,864.5	25,271.1	36,135.6
Other contributions	2,278.8	–	2,278.8
Subventions from Endowment Fund	30,434.9	–	30,434.9
Interest income	1,938.2	30,434.9	32,373.1
Miscellaneous income	4,782.1	18,308.5	23,090.6
Total	50,298.5	74,014.5	124,313.0
Application of funds:			
Operating expenditure	48,553.5	–	48,553.5
Transfer to Operating Fund	–	30,434.9	30,434.9
Total	48,553.5	30,434.9	78,988.4
Results of Operation	1,745.0	43,579.6	45,324.6
B. Other Changes			
(Increase)/decrease in contributions unpaid	(146.2)	(9,200.0)	(9,346.2)
(Increase)/decrease in other assets	(1,222.6)	(667.4)	(1,890.0)
Increase/(decrease) in interfund balance payable	16,278.2	(16,278.2)	–
Increase/(decrease) in other liabilities	(185.5)	–	(185.5)
Reinvestment in the Endowment Fund	(1,489.0)	1,489.0	–
Transfer from the Endowment Fund to Operating Fund	100.0	(100.0)	–
Net Other Changes	13,334.9	(24,756.6)	(11,421.7)
Net increase in cash & investments	15,079.9	18,823.0	33,902.9
Cash & investments at 1 January 1992	6,908.1	211,521.2	218,429.3
Cash & investments at 31 December 1993	21,988.0	230,344.2	252,332.2